



## **Senate Amendment to H.R. 2761 - Terrorism Risk Insurance Revision and Extension Act of 2007**

### **FLOOR SITUATION**

The Senate Amendment to H.R. 2761 is being considered on the floor under suspension of the rules and will require a two-thirds majority vote for passage.

The House passed H.R. 2761 by a vote of 312-110 ([Roll no. 884](#)) on September 19, 2007. On November 16, 2007, the Senate took up H.R. 2761 and struck all of the original House language and substituted it with S. 2285, a TRIA extension bill approved by the Senate Committee on Banking, Housing and Urban Affairs. The Senate passed H.R. 2761 with the amendment by voice vote on November 16, 2007. ([Senate Weekly Update for Nov. 12-16](#))

On December 12, 2007, instead of taking up the Senate-passed version of H.R. 2761, the House considered a new TRIA bill, the Terrorism Risk Insurance Program Reauthorization Act of 2007 (H.R. 4299), which was introduced by Rep. Barney Frank (D-MA) on December 6, 2007. This legislation included the Senate amendment along with several provisions from the House-passed version of H.R. 2761. The House passed H.R. 4299 by a vote of 303 to 116. The Senate has not considered H.R. 4299.

Representative Michael Capuano (D-MA) introduced the original version of Terrorism Risk Insurance Revision and Extension Act (H.R. 2761) on June 18, 2007. The Committee on Financial Services approved the bill, as amended, by a vote of 49 to 20 on August 1, 2007.

The Senate Amendment to H.R. 2761 is expected to be considered on the floor on December 18, 2007.

### **BACKGROUND**

After the events of September 11, 2001, many insurers removed terrorism risk coverage from property insurance policies they offered businesses. This left those businesses unprotected in the event of another terrorist attack.

In order to ensure these businesses could acquire terrorism risk coverage, Congress passed the Terrorism Risk Insurance Act of 2002 (TRIA, 107-297). This bill provided a temporary three-year program that required insurers to offer terrorism insurance to commercial policyholders, preserved state regulation of this type of insurance, and directed the Secretary of the Treasury to administer a program for sharing terrorism

losses. After certain conditions were met, the TRIA program covered 90 percent of insurer losses up to \$100 billion each year.

In June 2005, the Department of the Treasury released a study that found that although the TRIA program increased the availability of terrorism insurance, it also inhibited the creation of private market alternatives to the Federal backstop.

In response to the study, Congress passed the Terrorism Risk Insurance Extension Act (P.L. 109-144). This legislation extended the program through December 31, 2007 and increased the amount of risk that insurers were exposed to by setting a higher trigger, higher deductibles, greater industry loss sharing, and exclusion of certain lines of insurance.

## **SUMMARY**

### Senate Amendment to H.R. 2761

The Senate amendment to H.R. 2761 provides for a seven year extension of the Terrorism Risk Insurance Act (TRIA).

*\*Note: The House-passed version of H.R. 2761 included a fifteen year extension of the program.*

It also extends TRIA coverage to domestic acts of terrorism.

*\*Note: The current program only covers foreign terrorist acts that cause certain U.S. commercial property/casualty insurance loss.*

The Senate amendment requires the Comptroller General of the United States to conduct a study and issue a report to Congress on insurance for nuclear, biological, chemical, and radiological terrorist events and a study on the availability and affordability of Terrorism Risk Insurance in specific markets.

The Senate amendment also includes a “pay-for” provision by increasing the mandatory payback and accelerating the annual payback of surcharge from 3 percent of premiums to a higher percentage depending on when the event occurs in relation to Congressional Budget Office time frames.

## **COST**

On November 15, 2007, the Congressional Budget Office (CBO) responded to a letter from Senator Chris Dodd (D-CT), Chairman of the Senate Banking and Housing and Urban Affairs Committee, requesting a cost estimate for the “pay-for” amendment to S. 2285, a Senate Committee on Banking, Housing and Urban Development approved TRIA extension bill.

CBO cost estimate states that “considering both the direct spending and revenue effects, CBO estimates that enacting the bill with the proposed amendment would reduce budget deficits or increase surpluses by less than \$50 million over the 2008-2012 and 2008-2017 periods.” ([CBO Letter to Chairman Dodd](#))

*\*Note: The Senate took up H.R. 2761 and struck all of the original House language and substituted it with the text of S. 2285, a Senate Committee on Banking, Housing and Urban Development approved TRIA extension bill. The House amendment to the Senate amendment to H.R. 2761 retains the Senate pay-for provision.*

### **ADDITIONAL VIEWS**

The Statement of Administration Policy states that “the Administration will not oppose the version of H.R. 2761 passed by the Senate on November 16, 2007. The Administration strongly opposes any amendments that move the Senate-passed version of the bill away from the Administration’s key elements.” ([Statement of Administration Policy, H.R. 2761, 12/11/2007](#))

### **STAFF CONTACT**

For questions or further information contact Brianne Miller at (202) 226-2302.